

A BRIEF INTRODUCTION

Mexico's Bankruptcy and Suspension of Payments Law (Ley de Quiebras y Suspensión de Pagos) ("LQSP") was passed in 1943. The LQSP, which was very much a reflection of its times, stayed in force for 57 years, intact in all of its fundamental concepts. Creditors, debtors, bankruptcy practitioners and judges had become all too familiar with its provisions and court implementation. The statute had also proved time and again that its provisions were hampering justice and the transfer of wealth of distressed companies. Mexican banks had to weigh in the LQSP as a serious risk in pricing their loans. Credit became even more difficult to obtain to the prejudice of both creditors and borrowers. Bankruptcy proceedings often lasted longer than most other types of legal proceedings in Mexico. In the end, creditors started to explore abroad alternatives to the Mexican bankruptcy court system.

In the midst of a growing frustration by the Mexican business, and particularly the banking, community, the new Commercial Insolvency Law (Ley de Concursos Mercantiles) ("LCM") was published in the Federal Register (Diario Oficial de la Federación) ("D.O.") of May 12, 2000. The LCM, which became effective on May 13, 2000, abrogated the LQSP. The LCM is partially based on the UNCITRAL Model Law on Cross-Border Insolvency and contains a whole section regarding "cooperation in international proceedings": Title Twelfth. This Title is divided in 5 Chapters, with a total of 34, very detailed provisions.

Clearly, one of the LCM's principal goals is to integrate Mexico in the world of multinational insolvency proceedings. While it is obvious that the Mexican judiciary needs more preparation and experience to overcome to this sudden challenge, the tools are provided in the LCM for this effort of integration to proceed in a semi-smooth fashion.

Following is a Spanish comparison, on a concept-by-concept basis, between the LQSP and the LCM. The comparison is being provided with informative purposes only and it is not intended to offer legal advice on any specific issue. We trust that you will find the enclosed of use in structuring your Mexican transactions.

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